

Comptroller's Directive No. 2-08
Attachment HE-1
FY 2007 - Off-Balance Sheet Financial Obligations

Purpose

During the 2007 General Assembly Session, legislation was passed (*Code of Virginia*, §[2.2-813.2](#)) requiring the State Comptroller to report off-balance sheet financial obligations of the Commonwealth. As can be seen in the text, the term off-balance sheet financial obligation is utilized. Given the general nature of this terminology, a broad examination of the Commonwealth's financial commitments is appropriate.

Applicable institutions

All institutions* **must** complete this attachment.

Note*: The Virginia Commonwealth University Health System Authority does not have to complete this attachment.

Due date

July 17, 2008

Certification

The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. By typing a name, the individual is certifying that all tabs of this attachment have been reviewed; the information is both complete and accurate; and the preparer and reviewer were not the same individual for any tab.

Submission requirements

Contact DOA if the institution has any problems with the files.

After downloading the Excel file, rename the file using the institution's acronym followed by Attachment HE-1. For example, VCCS should rename the Attachment HE-1.xls file as VCCS Attachment HE-1.xls.

Submit the Excel file electronically to finrept-HE@doa.virginia.gov.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do **not** submit paper copies of this spreadsheet.

Comptroller's Directive No. 2-08
Attachment HE-1
FY 2007 - Off-Balance Sheet Financial Obligations

Definitions

Balance Sheet – For purposes of this attachment, balance sheet is referring to the amounts that were reported in the Comprehensive Annual Financial Report (CAFR) as of June 30, 2007. This information was obtained from the institution's Statement of Net Assets that was reported on the FST tab within the Attachment HE-10, Financial Statement Template, as of June 30, 2007 and does not need to be resubmitted. In addition, it is only referring to the higher education institution (HEI) amounts and not the foundation amounts.

Off-Balance Sheet Financial Obligations – For purposes of this attachment, any amount for which the Commonwealth is committed to disburse funds or pledge revenues in future periods as of June 30, 2007. While these amounts do not meet the accounting definition of a liability and are excluded from the balance sheet, they do represent financial obligations of the Commonwealth for future periods. The obligations reported should not represent the normal, ongoing future costs of performing the agency's functions.

Approach

DOA has identified different categories of off-balance sheet financial obligations that require consideration for inclusion in the report. Certain categories are evidenced by a signed agreement for which the Commonwealth has agreed to pay for goods or services to be provided in the future (i.e., operating leases and construction commitments) and are disclosed in the financial statement notes. For higher education institutions, these amounts are generally obtained through the Attachment HE-10 submission. (Note: After the institution's acronym is selected, certain commitment amounts reported on the Attachment HE-10 for the HEI will appear. These amounts should be revised if needed. In addition, include any additional off-balance sheet financial obligations not otherwise reported on the Survey tab after the institution's acronym is selected.)

In other instances, the Commonwealth is committed to pay for future outflows, but these amounts have not been reported in the financial statement notes because they have not met the accounting definition for financial statement disclosure (i.e., WTA and federal match requirements). These amounts should be included in this attachment.

Other obligations fall into the ongoing operations category. Public education, Medicaid, TANF, prisoner incarceration, and many other programs throughout the state budget represent on-going obligations of state government. DOA will attempt to meet the reporting requirements for these "obligations" through use of information obtained from central agencies like DPB and DGS.

Comptroller's Directive No. 2-08
Attachment HE-1
FY 2007 - Off-Balance Sheet Financial Obligations

**Additional
considerations**

As mentioned above, DOA will use information available centrally to identify as many off-balance sheet financial obligations as possible. DOA has identified certain off-balance sheet financial obligations for which institution input is required. A listing of the types of obligations DOA has identified follows. Please be aware that this list may not be all-inclusive, and institutions should include any additional items deemed necessary based on the definitions and approach described previously.

- Operating Leases
 - Construction or other commitment contracts - legal or other formal arrangement exists
 - Other project commitments - agency is committed to a project, but no formal agreement exists
 - Public-private Partnership Agreements
 - Federal match requirements
 - Questioned Federal Costs
 - Termination Benefits
 - Pollution clean-up site costs (mandatory or voluntary) - examples include Chesapeake Bay clean-up or EPA superfund sites
 - Potential legal case settlements - likelihood that the Commonwealth will have to pay out funds once the case is settled
 - Court-ordered requirements - court orders that require the Commonwealth to take action that would likely have monetary implications
-

Tabs

The Attachment HE-1 contains the following tabs:

- **Instructions** – This tab provides instructions for steps 1 to 13.
 - **Survey** – This tab is to provide the off-balance sheet financial obligation information. After selecting the institution's acronym on the Survey tab, certain commitment/other selected amounts reported on the FY 2007 Attachment HE-10 submission will appear. Revise these amounts if needed. In addition, provide any additional off-balance sheet financial obligation amounts as of June 30, 2007 that is not already provided.
 - **Certification** – This tab must be completed after the Survey tab is completed.
-

This Page Intentionally Left Blank